

# OPERATIONALISING ARTICLE 6

A playbook for implementing Article 6 through independent carbon crediting programmes

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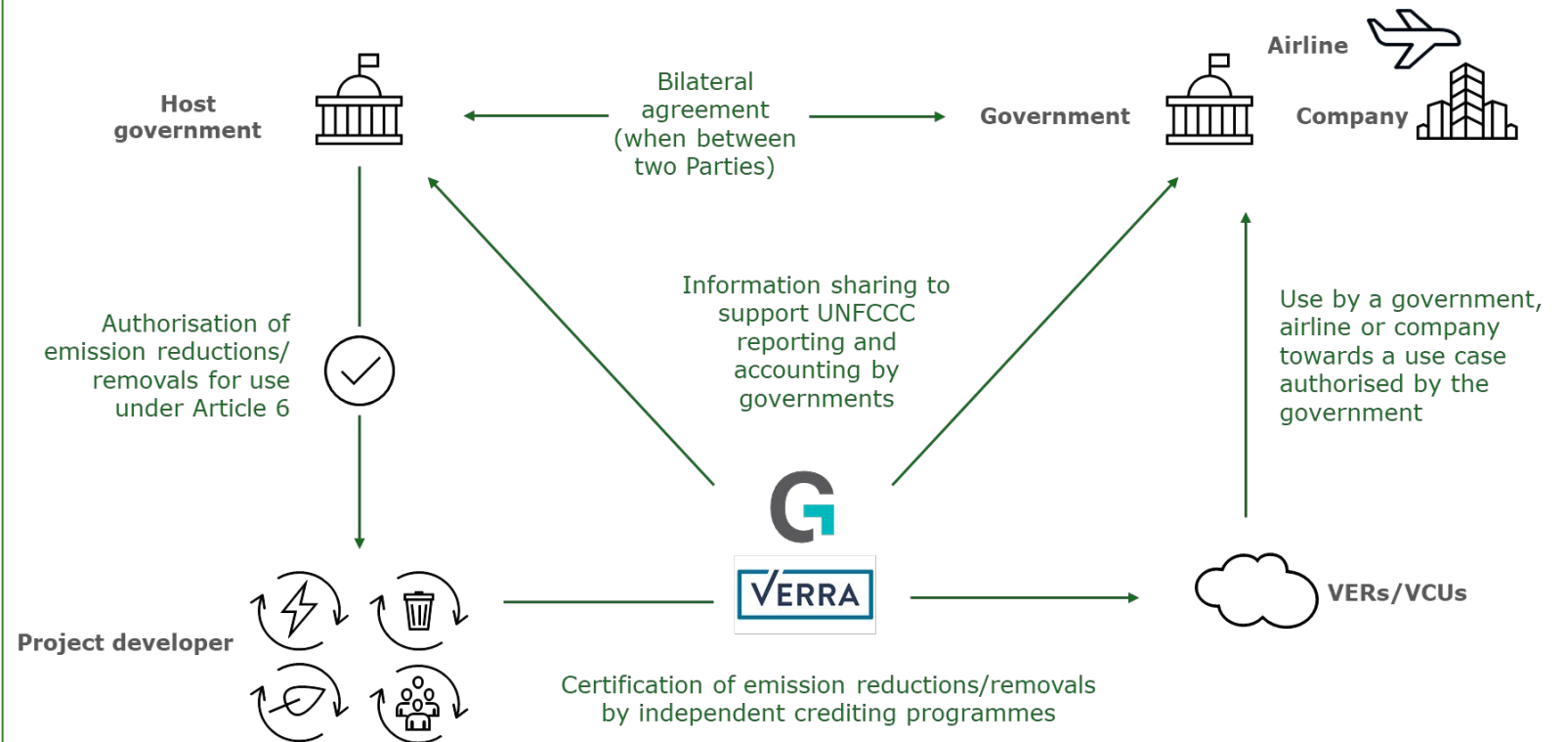
Presentation for Article 6 Implementation Partnership, October 2024

# CONTEXT

With the transition from market mechanisms under the Kyoto Protocol to those under Article 6 of the Paris Agreement, Parties have the option to authorise activities and mitigation outcomes under Independent Crediting Programmes, as well as the UN's centralised Article 6.4 mechanism.

## Benefits

- Certification and MRV of mitigation activities to be undertaken by independent crediting programmes (ICPs) with established processes.
- Diversified routes for carbon finance into host country, by not being limited to a single ICPs or mechanism.
- Familiarity of ICPs for project developers, investors and other involved actors.
- Eligibility of (certain) leading ICPs within international and domestic compliance regimes, such as CORSIA.



## CONTEXT

Some Parties have already authorised mitigation outcomes generated under independent crediting programmes. However there remain barriers and challenges:



**Unclear interpretation** of certain concepts and terms in Article 6 guidance, when applied to implementation through independent crediting programmes (ICPs).



**Risk of fragmented implementation** of Article 6 if, in the absence of a guiding framework, each Party and ICP adopts different models.



**Weak communication** between Parties and ICPs, without a clear and mutually agreed protocol for communication and data exchange.



**Need for digital solutions** to support data exchange between registries.



**Overall:** A need for more detailed guidance on the mechanics of implementing Article 6 through ICP, beneath but consistent with rules adopted by the CMA.

## ARTICLE 6 PLAYBOOK

Launched by the Government of Singapore, Gold Standard and Verra at COP28, the Article 6 playbook initiative seeks to address these barriers through:



**Development of a Protocol** to support standardised implementation of Article 6 through independent crediting programmes (ICPs), with guidance for Parties, ICPs and other involved entities.

**Post-COP29**



**Proposals for supporting data protocol** for standardised reporting by ICPs to Parties, and recommendations for supplementary reporting by Parties (if needed, subject to CMA outcomes) to support accurate tracking of ITMOs/authorised carbon credits.

**Post-COP29**



**Engagement and outreach** with Parties and other relevant entities to build understanding and, in the future, enable and support adoption of the Article 6 Crediting Protocol.

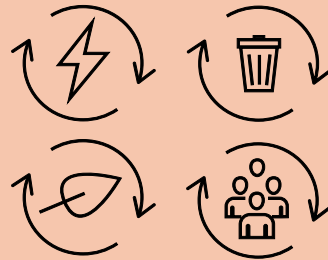
**Ongoing**

**COMPLEMENTING, NOT COMPETING, WITH ARTICLE 6 GUIDANCE**

## FOUNDATIONS OF ARTICLE 6 PROTOCOL

The work of the Article 6 playbook initiative is based on an implementation of Article 6 under which independent crediting programmes continue to manage credits within their registries, while Parties track ITMOs on the registry they are using, for the same underlying mitigation outcomes.

### Mitigation outcome



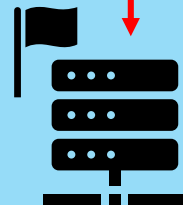
Authorised mitigation outcome (tCO<sub>2</sub>e) achieved by project developer and certified by independent crediting programme.

### Carbon credit layer



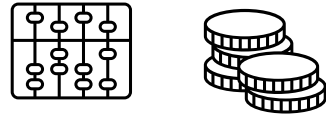
Authorised mitigation outcome represented on independent crediting programme's registry through issuance of a carbon credit.

### ITMO layer



Same authorised mitigation outcome represented on registry used by Party through creation of an ITMO.

# KEY AREAS OF FOCUS FOR ARTICLE 6 PROTOCOL



## **ITMOs vs credits**

Clarifying understanding of the concepts of an 'ITMO' and a 'credit', which matters for registry responsibilities and how and when Article 6 rules are applied.



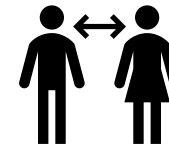
## **Relationship between registries**

Clarifying the respective functions of national registries for ITMO tracking and independent crediting programme (ICP) registries for credit issuance, when government(s) authorise mitigation outcomes certified by an ICP.



## **Unique identifiers**

Outlining how 'unique identifiers' and 'serial numbers' interact and how to support accurate accounting, transparency and traceability of reporting to specific transactions



## **Communication**

Outlining how and when administrators in national governments and ICPs need to communicate to support accurate Article 6 implementation and ensure data consistency.

# RECOMMENDATIONS AND OBSERVATIONS FOR COP29 NEGOTIATIONS AND WIDER IMPLEMENTATION OF ARTICLE 6

Article 6 Decisions at COP26 and COP27 provide much of the detail required for development of a supporting Article 6 Crediting Protocol, to guide implementation of Article 6 through independent crediting programmes. That said, several recommendations have been identified for Parties, for COP29 negotiations and wider implementation of Article 6 (within and outside of UNFCCC system):

- 1. Authorisation:** Parties should consider how their Letters of Authorisation could provide legal certainty and market confidence to the market participants.
- 2. First transfer:** Clarify how first transfer is to be managed in cases where a Party authorises mitigation outcomes for use towards both NDCs and other international mitigation purposes.
- 3. Revocations and changes:** Either prohibit or restrict the revocation of authorisations by host Parties, to reduce political risk for market actors and risk of double claiming. If a prohibition is not possible, consider restrictions that do not permit revocation or changes to authorisations of ITMOs following the retirement and use of credits.
- 4. Corresponding adjustments:** Consider ways to bring forward formal identification of the application of a corresponding adjustment, at an earlier time than reporting in Biennial Transparency Reports. This could, for instance, be through Annual Information or labels in Party registries, and would reduce political risk.
- 5. Precise reporting:** Ensure that templates for Annual Information and Biennial Transparency Reporting require Parties to provide sufficiently detailed information to allow for traceability between individual ITMOs and any carbon credits associated with them.
- 6. Data exchange:** Explore solutions for automated data exchange, such as the Climate Action Data Trust.

# CONTACT

The Article 6 Playbook initiative is a collaboration between the Government of Singapore (through the National Climate Change Secretariat), Gold Standard and Verra. To get in touch, please contact:



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